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**NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.**

Financial Report

Years Ended April 30, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 03 1999

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# Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

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## Independent Auditor's Report

To the Board of Directors  
Neighborhood Housing Services  
of Lafayette, Louisiana, Inc.  
Lafayette, Louisiana

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We have audited the accompanying statements of financial position of Neighborhood Housing Services of Lafayette, Louisiana, Inc. (a nonprofit organization) as of April 30, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Housing Services of Lafayette, Louisiana, Inc. as of April 30, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 16, 1999, on our consideration of Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Member of:

American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Neighborhood Housing Services of Lafayette, Louisiana, Inc. taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dannall, Sikes & Frederick*

A Corporation of Certified Public Accountants

Lafayette, Louisiana

July 16, 1999

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statements of Financial Position  
April 30, 1999 and 1998

	1999	1998
<b>ASSETS</b>		
Cash	\$ 39,373	\$ 61,994
Due from the Lafayette Consolidated Government	44,879	19,879
Prepaid expenses	2,231	2,206
Land and improvements held for resale	95,125	-
Restricted assets:		
Cash	283,433	233,959
Land and improvements held for resale	57,831	-
Loans receivable, net	764,263	812,405
Building, net of accumulated depreciation	18,305	20,636
Other assets	30	-
Land	3,645	3,645
Equipment, net of accumulated depreciation	12,964	17,001
Other receivables	80	185
	<u>\$1,322,159</u>	<u>\$1,171,910</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES (PAYABLE FROM CURRENT ASSETS)</b>		
Accounts payable and accrued liabilities	\$ 18,430	\$ 8,626
Other liabilities	4	9
Capital lease payable	758	2,846
Notes payable	95,125	-
	<u>114,317</u>	<u>11,481</u>
<b>LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>		
Accounts payable and accrued liabilities	254	-
Other liabilities	244	1,043
Tax and insurance payable	5,393	6,878
Loan collections due to others	9,461	5,492
Undisbursed loan proceeds	13,287	35,041
	<u>28,639</u>	<u>48,454</u>
<i>Total liabilities</i>	<u>142,956</u>	<u>59,935</u>
<b>NET ASSETS</b>		
Restricted	1,100,166	1,023,790
Unrestricted	79,037	88,185
Total net assets	<u>1,179,203</u>	<u>1,111,975</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$1,322,159</u>	<u>\$1,171,910</u>

The accompanying notes are an integral part of this financial statement.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statements of Activities  
Years Ended April 30, 1999 and 1998

	1999	1998
<b>UNRESTRICTED NET ASSETS</b>		
Support		
Passed through federal funds:		
Lafayette Consolidated Government	\$ 44,567	\$ 75,013
Other	61,000	63,100
Contributions	752	2,233
	106,319	140,346
Revenue		
Interest	380	1,286
Other	6,008	6,038
Fundraising	401	2,702
	6,789	10,026
Net assets released from restrictions	24,023	19,955
Total support, revenue and net assets released from restrictions	137,131	170,327
Expenses		
Personnel cost	84,808	87,590
Accounting and auditing	15,200	11,450
Legal	8,453	430
Contractual services	822	845
Depreciation	5,503	3,462
Insurance	4,149	4,913
Telephone and utilities	7,049	8,053
Dues & Subscription	274	338
Office supplies	6,166	8,472
Travel and seminars	3,488	2,354
Maintenance	4,808	2,173
Rent	2,600	2,200
Other	2,381	5,370
Interest	248	520
Fundraising	330	-
Total expenses	146,279	138,170
Increase (decrease) in unrestricted net assets	(9,148)	32,157
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Governmental grants	40,000	173,000
Support		-
Contributions	15,000	
Revenue		
Interest	47,255	42,410
Other	3,253	6,020
	65,508	48,430

(Continued)

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statements of Activities (Continued)  
Years Ended April 30, 1999 and 1998

	1999	1998
Expenses		
Bad debt	1,650	(2,685)
Depreciation	2,331	2,330
Loan fees	1,000	-
Other	128	60
	5,109	(295)
Net assets released from restrictions:		
Restrictions satisfied by payments	(24,023)	(19,955)
Increase in temporarily restricted net assets	76,376	201,770
INCREASE IN NET ASSETS	67,228	233,927
NET ASSETS, beginning	1,111,975	878,048
NET ASSETS, ending	\$1,179,203	\$1,111,975

The accompanying notes are an integral part of this financial statement.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statements of Cash Flows  
April 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 67,228	\$ 233,927
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	7,834	5,792
Bad debts	1,650	(2,685)
(Increase) decrease in operating assets -		
Due from Lafayette Consolidated Government	(25,000)	(324)
Prepaid expenses	(26)	(287)
Land and improvements held for resale	(152,956)	-
Other receivables	105	140
Other assets	(30)	-
(Decrease) increase in liabilities -		
Accounts payable and accrued liabilities	10,058	(156)
Other liabilities	<u>(20,074)</u>	<u>28,257</u>
Net cash provided (used) by operating activities	<u>(111,211)</u>	<u>264,664</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans issued	(80,413)	(260,146)
Loan payments received	126,905	124,148
Purchase of fixed assets	<u>(1,465)</u>	<u>(10,557)</u>
 Net cash provided (used) by investing activities	<u>45,027</u>	<u>(146,555)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowing under note payable obligations	95,125	-
Principal payments under capital lease obligations	<u>(2,088)</u>	<u>(1,835)</u>
Net cash provided (used) by financing activities	<u>93,037</u>	<u>(1,835)</u>
 Net increase in cash	26,853	116,274
 CASH, beginning	<u>295,953</u>	<u>179,679</u>
 CASH, ending	<u>\$ 322,806</u>	<u>\$ 295,953</u>
 Supplemental information:		
Interest expense	<u>\$ 248</u>	<u>\$ 520</u>

The accompanying notes are an integral part of this financial statement.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Neighborhood Housing Services of Lafayette, Louisiana, Inc., (NHS) was incorporated on July 14, 1982 as a non-profit corporation. NHS's primary function is to provide low interest loans to low and moderate income homeowners in the target area. These loans are made from loan programs established through grants from the United States Department of Housing and Urban Development Community Development Block Grant (CDBG) and H.O.M.E. Investment Partnership Program through the Lafayette Consolidated Government, the main grantee, and grants from the Neighborhood Reinvestment Corporation (NRC).

Basis of Presentation

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations.

Land and Improvements Held for Resale

Land and improvements held for resale consists of the purchase price of the land and the costs associated with the construction of homes on the land to be sold to qualifying clients in the future, as well as the interest associated with the financing of the homes' construction.

Vacation and Sick Leave

The Corporation's policy is to allow full time employees to carry forward 30 days of unused sick leave and no unused annual leave. Annual and sick leave is computed on a per pay period basis and is not payable upon separation from the Corporation, therefore no accrual is reflected in these statements.

Property and Equipment

Fixed assets consist of land, buildings and equipment which are valued at cost, or estimated fair market value in the case of donated property. Depreciable assets are depreciated using the straight-line method over the estimated useful lives of the individual assets as follows:

Building	20 years
Furniture and equipment	5 – 7 years

Income Tax Status

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Corporation has been determined by the Internal Revenue Service not be a private foundation within the meaning of Section 509(a) of the code.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at April 30, 1999 and 1998.

Undisbursed Loan Proceeds

Some of the loans made by NHS are to enable the homeowner to perform rehabilitation work to their home. On the date that this type of loan is made by NHS, the applicable loan program transfers the loan proceeds to an escrow cash account in the operating program. A contract is entered into with a contractor for the rehabilitation work, and as work is performed, NHS disburses the funds. The amount of loan proceeds transferred to the operating program and undisbursed at year end is reported as a liability.

Restricted Assets

Escrow cash accounts are classified as restricted assets on the statement of financial position because they represent escrow payments by borrowers for property taxes and homeowners insurance, collections of principal and interest payments collected on behalf of others and undisbursed loan proceeds. An offsetting liability is reported for the future disbursement of the collected funds and undisbursed advance payments of taxes and insurance.

Additionally, all monies received through the grant programs and repayments of principal amounts of loans receivable are restricted for use in funding additional loans in target areas. The balances in each of the grant programs' cash accounts and the net loans receivable as of the financial statement date are shown as restricted assets in the statement of financial position with an offsetting amount reported as restricted net assets.

Also, monies received from a donor contribution are also classified as restricted due to donor imposed restrictions concerning the uses of the monies.

Loans, Allowance for Loan Losses and Interest Income

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is calculated and accrued by using the simple interest method on monthly balances of the principal amount outstanding.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Allowance for Loan Losses and Interest Income (continued)

The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Programs

To insure observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Corporation are maintained in four separate programs. This procedure allows resources for various purposes to be classified for accounting and reporting purposes into programs established according to their nature and purpose. Separate accounts are maintained for each program.

The assets, liabilities, and net assets of Neighborhood Housing Services of Lafayette, Louisiana, Inc. are reported in four self-balancing programs as follows:

Operating Program

The Operating Program includes unrestricted and restricted resources of expendable funds that are available for support of program operations.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs (Continued)

Community Development Block Grant Revolving Loan Program

The CDBG Revolving Loan Program represents funds received from the United States Department of Housing and Urban Development for the purpose of improving housing stock in the City of Lafayette by means of low and/or no interest loans to residents for housing rehabilitation.

Neighborhood Reinvestment Corporation Revolving Loan Program

The NRC Revolving Loan Program is used to account for funds received from the Neighborhood Reinvestment Corporation for purposes of making loans to homeowners wanting to improve their homes but who cannot be served by local financial institutions and making loans to low or moderate income individuals to facilitate the purchase of affordable housing for occupancy.

H.O.M.E. Revolving Loan Program

The H.O.M.E. Revolving Loan Program is used to account for funds received from the United States Department of Housing and Urban Development through the Lafayette Consolidated Government to provide affordable housing to first-time home buyers in accordance with the provisions and regulations of the Crantston-Gonzales National Affordable Housing Act of 1990.

NOTE 2 LOANS RECEIVABLE

The loans receivable are comprised of loans to homeowners in a specific geographical area who desired to improve their homes or purchase homes, but were unable to obtain financing at a conventional financial institution and are stated at the principal amounts outstanding at the financial statement date. The following summary reflects activities in the loan accounts for the various funds for the year ending April 30, 1999:

	<u>CDBG</u>	<u>NRC</u>	<u>H.O.M.E.</u>	<u>TOTAL</u>
Balance, beginning of year	\$ 304,582	\$ 254,403	\$ 282,730	\$ 841,715
Loans made during the year	80,413	-	-	80,413
Payments received during the year	<u>(108,557)</u>	<u>(13,364)</u>	<u>(4,984)</u>	<u>(126,905)</u>
Balance, end of year	276,438	241,039	277,746	795,223
Less: Allowance for loan losses	<u>(14,205)</u>	<u>(11,879)</u>	<u>(4,876)</u>	<u>(30,960)</u>
Loans, net	<u>\$ 262,233</u>	<u>\$ 229,160</u>	<u>\$ 272,870</u>	<u>\$ 764,263</u>

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

NOTE 2      LOANS RECEIVABLE (CONTINUED)

Transactions in the allowance for loan losses for the year were as follows:

	CDBG	NRC	H.O.M.E.	TOTAL
Balance, beginning of year	\$ 13,033	\$ 12,495	\$ 3,782	\$ 29,310
Provision charged to operation	<u>1,172</u>	<u>(616)</u>	<u>1,094</u>	<u>1,650</u>
Balance, end of year	<u>\$ 14,205</u>	<u>\$ 11,879</u>	<u>\$ 4,876</u>	<u>\$ 30,960</u>

Management is of the opinion that the allowance for loan loss account at April 30, 1999 and 1998, is sufficient to cover any possible loan losses.

NOTE 3      LOANS SERVICED FOR OTHERS

NHS and Neighborhood Housing Services of America, Inc. (NHSA) have entered into a purchase service contract agreement whereby NHS is paid the principal amount of the loan balance at the time of the purchase and a monthly commission of .03125% of the outstanding balance of the loan for servicing the loan. Should any of these loans become over 90 days delinquent, NHS must repurchase the delinquent loan or replace it with another acceptable loan or loans. The total balance of such loans at April 30, 1999 and 1998 is \$333,346 and \$373,056, respectively.

Since 1988, NHS has sold loans to Neighborhood Housing Services of America, Inc. as follows:

1988	\$ 87,447
1989	130,430
1990	-
1991	118,883
1992	82,140
1993	-
1994	-
1995	98,884
1996	32,492
1997	-
1998	39,460
1999	-
	<u>\$ 589,736</u>

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

NOTE 4      LAND AND IMPROVEMENTS HELD FOR RESALE

Land and improvements held for resale at April 30, 1999 and 1998 consists of the following:

	1999	1998
Lot 28	\$ 25,944	\$ -
Lot 66	8,323	-
Lot 67	52,338	-
Lot 68	66,351	-
Total	\$ 152,956	\$ -

NOTE 5      BUILDING AND EQUIPMENT

Building and equipment consists of the following:

	1999	1998
Land	\$ 3,645	\$ 3,645
Building	46,615	46,615
Equipment	20,178	18,713
Equipment held under capital lease	5,902	5,902
	76,340	74,875
Less: Accumulated depreciation	41,426	33,593
	\$ 34,914	\$ 41,282

NOTE 6      CAPITAL LEASE

In October 1997, the Corporation entered into a capital lease expiring in 2000. The asset and related liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over its useful life. Depreciation of the asset under capital lease is included in depreciation expense for the year ended April 30, 1999.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

NOTE 6 CAPITAL LEASE (CONTINUED)

Minimum future lease payments under this capital lease as of April 30, 1999 are as follows:

Year ended April 30,

2000		<u>779</u>
Total minimum lease payments		779
Less: amount representing interest		<u>(21)</u>
Present value of net minimum lease payments		<u>\$ 758</u>

NOTE 7 NOTES PAYABLE

	<u>1999</u>	<u>1998</u>
Line-of-credit with Hibernia National Bank for construction of home on Lot 68 in the amount of \$68,000, maturing September 25, 1999, bearing interest at 8.0% per annum, secured by a mortgage on the land and land improvements.	\$ 53,875	\$ -
Line-of-credit with Whitney Community Development Corporation for construction of home on Lot 67 in the amount of \$55,000, maturing June 28, 1999, bearing interest at 3.0% per annum, secured by a collateral note in the amount of \$75,000.	<u>41,250</u>	<u>-</u>
	<u>\$ 95,125</u>	<u>\$ -</u>

NOTE 8 ECONOMIC DEPENDENCY

The Corporation receives the majority of its revenue from funds provided through grants with the United States Department of Housing and Urban Development. The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of the funds Neighborhood Housing Services of Lafayette, Louisiana, Inc. receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Corporation will receive in the next fiscal year.

**INTERNAL CONTROL AND COMPLIANCE**



# Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

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## Independent Auditor's Report on Compliance and On Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors  
Neighborhood Housing Services  
of Lafayette, Louisiana, Inc.  
Lafayette, Louisiana

### Other Locations:

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1201 Brashear Avenue  
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Morgan City, LA 70380  
504.384.6264

404 Pere Meuret  
Abbeville, LA 70510  
318.893.5470

We have audited the financial statements of Neighborhood Housing Services of Lafayette, Louisiana, Inc. (a non-profit organization), as of and for the year ended April 30, 1999, and have issued our report thereon dated July 16, 1999. We have conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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### Compliance

As part of obtaining reasonable assurance about whether Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could

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adversely affect Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in the schedule of findings and questioned cost as items 99-1 and 99-2 are material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than those specific parties.

*Dannall, Sikes & Frederick*

A Corporation of Certified Public Accountants

Lafayette, Louisiana

July 16, 1999

**OTHER SUPPLEMENTAL INFORMATION**

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Prior Year Findings  
Year Ended April 30, 1999

98-1 Inadequate Equipment Inventory

Criteria:

As required by grant agreements, the Corporation is required to maintain an equipment inventory listing, including certain required information.

Finding:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. failed to maintain an adequate inventory listing as required. The listing maintained failed to include acquisition date, funding source and cost.

Recommendation:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. should begin to maintain an adequate inventory listing that contains all required information.

Follow-up:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. has made the necessary revisions to the equipment inventory listing to adhere to the requirements in the grant agreements. A copy was submitted to the Lafayette Consolidated Government on July 22, 1998.

98-2 Finding Related to Cash Accounts

Finding:

Several of the cash account bank reconciliation's did not reconcile to the general ledger. There was also one instance noted during the audit where a check was never recorded on the manual cash disbursements journal which is provided to the outside accountant to record the monthly disbursements, therefore, it was never posted by the outside accountant nor recorded on the general ledger which is generated by the outside accountant.

Recommendation:

Care should be taken to insure that all checks written are recorded on the cash disbursement journal to insure that the outside accountant has included all disbursements on the general ledger. Bank reconciliation balances prepared by Neighborhood Housing Services of Lafayette, Louisiana, Inc. should also be compared to the related general ledger cash accounts on a monthly basis with any differences being reconciled at that time.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Prior Year Findings  
Year Ended April 30, 1999

98-2 Finding Related to Cash Accounts (Continued)

Follow Up:

During the current audit, several of the bank reconciliation's did not reconcile to the general ledger. Therefore, the finding will be noted again in the current year as finding 99-1.

98-3 Loan Subsidiary Ledgers

Finding:

It was noted that the loan subsidiary ledger does not agree to the general ledger. This is due to corrections being made to the subsidiary for errors in posting principal and interest that are not being made to the general ledger.

Recommendation:

Any time an error in posting to the cash receipts journal is noted that affects the loan balances, the correction being made on the loan ledger should also be made to the general ledger. Neighborhood Housing Services of Lafayette, Louisiana, Inc. should research the cost of implementing a computerized loan ledger system, which would eliminate all errors associated with mutual transactions.

Follow -Up:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. has purchased and installed a computerized loan ledger system and all loans and related information was all entered into the new system by November, 1998. A few discrepancies, however, were still noted. Therefore, the finding will be noted again in the current year finding 99-2.

98-4 Loan File Documentation

Finding:

While reviewing the loan files, it was noted that several of the files lacked the proper documentation as set forth in the loan policy, specifically, proof of current homeowner's insurance was missing.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Prior Year Findings  
Year Ended April 30, 1999

98-4 Loan File Documentation (Continued)

Recommendation:

The client should implement procedures to verify that all necessary documents are in the loan files prior to closing the loan. Also, management should continue efforts to maintain the proper documentation in all the loan files.

Follow-Up:

During the current audit, it was noted that several of the loan files still lacked proof of current homeowner's insurance. However, Neighborhood Housing Services of Lafayette, Louisiana, Inc. has been much more aggressive in the current year to insure that all necessary documentation has been received and filed in clients' files. Based on the fact that management has taken the required action to obtain missing loan file documentation, this finding will not be noted in the current year.

98-5 Inadequate Loan Production

Criteria:

In accordance with grant agreements and the size of the staff, the Corporation was required to complete thirty eligible housing projects during the fiscal year ended April 30, 1998.

Finding:

NHS failed to complete the required housing projects during the fiscal year.

Recommendation:

The Board of Directors should develop an action plan, which outlines the method to be used in order to comply with the required productivity guidelines. Measurable goals must be established and a tracking mechanism must be developed in order to ensure that productivity is on schedule. This should be reviewed quarterly.

Follow-Up:

Although improvements have been made, NHS has still failed to complete the required housing projects during the fiscal year. However, due to the fact that a new loan manager along with more staff were recently hired, the amount of eligible housing projects completed in the future should continue to increase.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Prior Year Findings  
Year Ended April 30, 1999

98-6 Internal Control Over Escrow Amounts

Criteria:

Under an escrow agreement between the Corporation and the client, the client remits monthly, a portion of their homeowner's insurance premiums, and annually when the policy renews, NHS is responsible for payment of the renewal premium to the carrier.

Finding:

An instance occurred during the year where NHS collected insurance premiums from a client through an escrow agreement yet failed to pay the renewal premium to the insurance carrier thus causing a lapse in coverage. During this lapse, an accident occurred and NHS was held responsible for the damages.

Recommendation:

Procedures should be implemented to more closely monitor the collection and subsequent disbursement of escrow amounts to insure that all amounts are remitted timely.

Follow-Up:

During the current year audit, it was noted that the collection and subsequent disbursement of escrow amounts has been more closely monitored and that there were no new instances noted of failure by NHS to pay the necessary renewal premiums to the insurance carrier.

NEIGHBORHOOD HOUSING SERVICES OF  
LAFAYETTE, LOUISIANA, INC.

Schedule of Findings and Questioned Costs  
Year Ended April 30, 1999

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s financial statements as of and for the year ended April 30, 1999.

Reportable Conditions – Financial Reporting

Two reportable conditions in internal control over financial reporting were disclosed during the audit of financial statements and are reported in Part 2 of this report as items 99-1 and 99-2. Both are considered to be material weaknesses.

Material Noncompliance – Financial Reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 1999.

Part 2 Findings Relating to an Audit in Accordance with Government Auditing Standards

99-1 Finding Related to Cash Accounts

Finding:

Several of the cash account bank reconciliations did not reconcile to the general ledger. There were also instances noted where checks voided by NHS were never provided to the outside accountant, therefore, they were never posted by the outside accountant nor recorded on the general ledger which is generated by the outside accountant.

Recommendation:

Care should be taken to insure that all checks voided are provided to the outside accountant to insure that the outside accountant has included all transactions on the general ledger. Bank reconciliation balances prepared by Neighborhood Housing Services of Lafayette, Louisiana, Inc. should also be compared to the related general ledger cash accounts on a monthly basis with any differences being reconciled at that time.

NEIGHBORHOOD HOUSING SERVICES OF  
LAFAYETTE, LOUISIANA, INC.

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 1999

99-2 Loan Subsidiary Ledgers

Finding:

It was noted that the loan subsidiary ledger does not agree to the general ledger. This is due to corrections being made to the subsidiary for errors in posting principal and interest that are not being made to the general ledger.

Recommendation:

Any time an error in posting to the cash receipts journal is noted that affects the loan balances, the correction being made on the loan ledger should also be made to the general ledger.

Part 3 Findings and Questioned Costs Relating to the Federal Programs

At April 30, 1999, Neighborhood Housing Services of Lafayette, Louisiana, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Management's Corrective Action Plan For  
Current Year Findings  
Year Ended April 30, 1999

Response to finding 99-1:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. will begin to report all checks and voided checks to the outside accountant along with a reconciliation report of each account. Once the Organization receives the general ledger from the outside accountant, they will reconcile the cash balances per the general ledger to the reconciliation report each month in order to assure at the end of the fiscal year, all checks have cleared or, if voided, have been reported to the outside accountant.

Response to finding 99-2:

The Organization is presently advising their outside accountant when errors are made in posting principle and interest payments so that applicable ledger can be corrected.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Combining Statement of Financial Position  
April 30, 1999

	Operating Fund	CDBG Revolving Loan Fund
<b>ASSETS</b>		
Cash	\$ 39,373	\$ -
Due from the Lafayette Consolidated Government	44,879	-
Prepaid expenses	2,231	-
Land and improvements held for resale	95,125	-
Restricted assets:		
Cash	42,392	81,752
Building, net of accumulated depreciation	-	18,305
Land improvements held for resale	-	-
Due from other funds	-	2,283
Loans receivable, net	-	262,233
Other assets	-	-
Land	3,645	-
Equipment, net of accumulated depreciation	12,964	-
Other receivables	80	-
Due from other funds	1,393	-
<b>TOTAL ASSETS</b>	<b>\$ 242,082</b>	<b>\$ 364,573</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES (PAYABLE FROM CURRENT ASSETS)</b>		
Accounts payable and accrued liabilities	\$ 18,430	\$ -
Due to other funds	6,336	-
Other liabilities	4	-
Capital lease payable	758	-
Notes payable	95,125	-
	<b>120,653</b>	<b>-</b>
<b>LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>		
Accounts payable and accrued liabilities	-	-
Other liabilities	-	39
Due to other funds	-	912
Tax and insurance payable	5,393	-
Loan collections due to others	9,461	-
Undisbursed loan proceeds	13,287	-
	<b>28,141</b>	<b>951</b>
<b>TOTAL LIABILITIES</b>	<b>148,794</b>	<b>951</b>
<b>NET ASSETS</b>		
Restricted	14,251	363,622
Unrestricted	79,037	-
Total net assets	<b>93,288</b>	<b>363,622</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 242,082</b>	<b>\$ 364,573</b>

See independent auditor's report.

NRC Revolving Loan Fund	H.O.M.E. Revolving Loan Fund	Eliminations of Interfund Balances	Totals
\$ -	\$ -	\$ -	\$ 39,373
-	-	-	44,879
-	-	-	2,231
-	-	-	95,125
97,078	62,211	-	283,433
-	-	-	18,305
31,887	25,944	-	57,831
1,792	2,261	(6,336)	-
229,160	272,870	-	764,263
30	-	-	30
-	-	-	3,645
-	-	-	12,964
-	-	-	80
-	-	(1,393)	-
<u>\$ 359,947</u>	<u>\$ 363,286</u>	<u>\$ (7,729)</u>	<u>\$1,322,159</u>
\$ -	\$ -	\$ -	\$ 18,430
-	-	(6,336)	-
-	-	-	4
-	-	-	758
-	-	-	95,125
-	-	-	114,317
-	-	(6,336)	-
254	-	-	254
5	200	-	244
261	220	(1,393)	-
-	-	-	5,393
-	-	-	9,461
-	-	-	13,287
520	420	(1,393)	28,639
520	420	(7,729)	142,956
359,427	362,866	-	1,100,166
-	-	-	79,037
<u>359,427</u>	<u>362,866</u>	<u>-</u>	<u>1,179,203</u>
<u>\$ 359,947</u>	<u>\$ 363,286</u>	<u>\$ (7,729)</u>	<u>\$1,322,159</u>

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Combining Statement of Activities  
April 30, 1999

	Operating Fund	CDBG Revolving Loan Fund	NRC Revolving Loan Fund	H.O.M.E. Revolving Loan Fund	Totals
<b>UNRESTRICTED NET ASSETS</b>					
Support					
Passed through federal funds:					
Lafayette Consolidated Government	\$ 44,567	\$ -	\$ -	\$ -	\$ 44,567
Other	61,000	-	-	-	61,000
Contributions	<u>752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>752</u>
	<u>106,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,319</u>
Revenue					
Interest	380	-	-	-	380
Other	6,008	-	-	-	6,008
Fundraising	<u>401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401</u>
	<u>6,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,789</u>
Net assets released from restrictions	<u>24,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,023</u>
Total support, revenue and net assets released from restrictions	<u>137,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,131</u>
Expenses					
Personnel cost	84,808	-	-	-	84,808
Accounting and auditing	15,200	-	-	-	15,200
Legal	8,453	-	-	-	8,453
Contractual services	822	-	-	-	822
Depreciation	5,503	-	-	-	5,503
Insurance	4,149	-	-	-	4,149
Telephone and utilities	7,049	-	-	-	7,049
Dues & subscriptions	274	-	-	-	274
Office supplies	6,166	-	-	-	6,166
Travel and seminars	3,488	-	-	-	3,488
Maintenance	4,808	-	-	-	4,808
Rent	2,600	-	-	-	2,600
Interest	248	-	-	-	248
Other	2,381	-	-	-	2,381
Fundraising	<u>330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330</u>
Total expenses	<u>146,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,279</u>
Increase (decrease) in unrestricted net assets	<u>(9,148)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,148)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>					
Governmental grants	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Support					
Contributions	15,000	-	-	-	15,000
Revenue					
Interest	251	14,384	14,061	18,559	47,255
Other	<u>-</u>	<u>1,679</u>	<u>793</u>	<u>781</u>	<u>3,253</u>
	<u>15,251</u>	<u>16,063</u>	<u>14,854</u>	<u>19,340</u>	<u>65,508</u>

(Continued)

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Combining Statement of Activities (Continued)  
April 30, 1999

	Operating Fund	CDBG Revolving Loan Fund	NRC Revolving Loan Fund	H.O.M.E. Revolving Loan Fund	Totals
Expenses					
Bad debt	-	1,172	(616)	1,094	1,650
Depreciation	-	2,331	-	-	2,331
Loan fees	1,000	-	-	-	1,000
Other	-	44	84	-	128
Total expenses	<u>1,000</u>	<u>3,547</u>	<u>(532)</u>	<u>1,094</u>	<u>5,109</u>
Net assets released from restrictions:					
Restrictions satisfied by payments	-	(3,249)	(16,714)	(4,060)	(24,023)
Increase in temporarily restricted net assets	<u>14,251</u>	<u>9,267</u>	<u>38,672</u>	<u>14,186</u>	<u>76,376</u>
INCREASE IN NET ASSETS	5,103	9,267	38,672	14,186	67,228
NET ASSETS, beginning	<u>88,185</u>	<u>354,355</u>	<u>320,755</u>	<u>348,680</u>	<u>1,111,975</u>
NET ASSETS, ending	<u>\$ 93,288</u>	<u>\$ 363,622</u>	<u>\$ 359,427</u>	<u>\$ 362,866</u>	<u>\$ 1,179,203</u>

See independent auditor's report.